Atkinson, A.B.: The Changing Distribution of Earnings in OECD Countries

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Veröffentlichungsversion / Published Version
Rezension / review

a persuasive explanation of important reform processes in Western Europe. In particular, the in-depth narratives convinced this reviewer about much of the assumed partisan-based dynamics throughout the 1970s through 1990s. As such, I highly recommend Rueda's book to anyone interested in the comparative political economy of labour markets, partisan politics, and social democracy.

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A.B. Atkinson: *The Changing Distribution of Earnings in OECD Countries*
Oxford and New York, 2008: Oxford University Press, 432 pp.

Anthony Atkinson's book is a latecomer. A huge amount of literature has been published on growing global inequalities in general and on income dispersion in particular. So why read this book? Atkinson provides three good reasons. First, and explicitly on page 3, he questions conventional wisdom and addresses the general uneasiness about standard economic models in these days of economic crisis. Instead, Atkinson proposes a sound empirical behavioural model of income dispersion that ties in with actor and agency models in other social sciences. Second, Atkinson takes data seriously. He outlines quality criteria for scientific data that could also counter the often loose handling of data in many other publications. Third, based on these criteria, Atkinson amasses piles of information from various sources over long periods of time (i.e. nearly eight decades for Germany), broken up by gender and for 20 OECD countries. He provides the reader with the most comprehensive and up to date overview of income trends in affluent countries. Moreover, the 480 pages of this volume are by no means a dull collection of information. The book resembles a hypertext more than it does a reader. It is well structured and easy to read. A long introductory section summarising the argument is followed by a section that discusses the details of the model and by 20 country case studies.

Atkinson starts with a critique of the economic textbook model concerning the race between technology and education. He argues that the model's narrow fixation on rising demand and the lack of skilled workers is too simplistic to explain changes in income distribution. It is static rather than dynamic, focuses on prices and neglects quantities, ignores the impact of capital markets and is insensitive to the latest findings in labour economics. His criticism is well taken. Rising prices stimulate both the demand for and supply of education, which changes the ratio of skilled to unskilled workers, but not necessarily the distribution in relative terms. Hence, the standard model, focused on demand and supply, does not really explain all causes of income dispersion. Different levels of skill and access to the capital market are crucial influencing factors at both ends of income distribution.

Atkinson favours a behavioural model that focuses on pay norms and superstars. Pay norms are by definition inefficient, as they do not reflect the productivity of workers but only the number of adherents to the norms. Atkinson argues that in modern economies pay norms compensate for the lack of information about real world productivity and reinforce income differences because deviations from the norm damage reputation. But he also concedes that change occurs when adherents fail to support the norms or when exogenous shocks demand new forms of social conformity. However, more specific questions about the fanning out of incomes in OECD countries remain unanswered. Why have pay norms only evolved for the lower income groups in the OECD world since the 1980s? And why have they disappeared in specific countries and during certain decades? Similarly, superstars as representatives of extremely scarce skills who exploit technological progress and take everything can only be identified ex post facto. But are these skills really scarce? And is Madonna really the world's best singer or the best-preserved 50-year-old woman? And why is super talent or super skill concentrated in the US? Abstract concepts such as superstars or pay norms have limited predictive power and run the risk of being exploited for ex post rationalisation and ideological purposes.

The gap between these abstract concepts and the evidence presented in the next 330 pages is not easy to bridge. Yet it seems that writing a coherent story was not Atkinson's intention. Instead, he provides the reader with an extensive overview of interesting and inspiring descriptive findings that motivate further research. He shows that not all countries have experienced a relative decline in income in the bottom decile since the 1980s, nor have they tolerated a fanning out at the top. Cross-country variation is large. Among the new OECD members the Czech Republic is a positive outlier because the lowest income decile has not declined significantly, as it has in other transition countries like Hungary and Poland. Nevertheless, the top 10% of employees in the Czech Republic follow the general trend and have experienced a significant relative increase in income during the same period (15%). However, the gap between the lowest and highest income earners is lower than, for example, in the UK, the US, Portugal, Poland, and Hungary.

This is a highly recommendable book. It is full of intriguing findings. It opens various avenues for future research, offers a comprehensive bibliography on the topic of income distribution, and it provides an abundance of interesting data. In fact, it would have been wonderful if the book had not been published in print but instead as an electronic hypertext that would allow readers to click on the data in order to explore it further and possibly begin their next research project. In short then, this book is a rich source of inspiration and a wonderful tool for research.

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